Institute and Faculty of Actuaries

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FCA CP25-15 A prudential regime for cryptoasset firms

The Institute and Faculty of Actuaries (IFoA) is a royal chartered, not-for-profit, professional body. We represent and regulate over 32,000 actuaries worldwide, and oversee their education at all stages of qualification and development throughout their careers. Actuaries are big-picture thinkers who use mathematical and risk analysis, behavioural insight and business acumen to draw insight from complexity. Our rigorous approach and expertise help the organisations, communities and governments we work with to make better-informed decisions. In an increasingly uncertain world, it allows them to act in a way that makes sense of the present and plans for the future.

Key points

There is a growing need for actuaries and insurance professionals to understand how innovations such as digital assets affect capital modelling, reserving, risk classification, and regulatory oversight.

Regarding the solvency measure in the own funds requirement, we suggest that the FCA should develop a plan on how to recapture assets if they are lost through actions such as freezing tokens onchain.

We believe that an adequate level of liquidity should be required in all trading venues where a material amount of stablecoin is being transacted.

FCA CP25-15 A prudential regime for cryptoasset firms – IFoA response

General comments

1. The Institute and Faculty of Actuaries (IFoA) welcomes the opportunity to respond to the FCA's consultation *CP25-15 A prudential regime for cryptoasset firms*. This response has been led by our Digital Assets and Fintech Working Party, whose work examines how emerging technologies - especially blockchain and digital assets - are reshaping the financial sector, and in particular their potential impact on the insurance sector. In May 2025 the FCA issued CP25-15 on prudential requirements for digital asset firms alongside CP25-14 covering stablecoin issuance and cryptoasset custody. While these

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papers are primarily directed at the cryptoasset sector, their implications extend well beyond, with increasing relevance for insurance firms, pension funds, and investment managers.

2. Digital assets, including stablecoins, could potentially start to appear on insurers' balance sheets—whether through direct investment, treasury management, or exposure via client assets and insurance-linked products. Moreover, the infrastructure for issuing and safeguarding these assets may intersect with the insurance sector's risk, custody, and compliance functions. This creates a growing need for actuaries and insurance professionals to understand how such innovations affect capital modelling, reserving, risk classification, and regulatory oversight.

3. As such, we believe it is both timely and necessary to provide a commentary that reflects the actuarial lens on these developments—ensuring that regulatory frameworks account for the realities and risks facing the insurance industry in the digital age.

Responses to consultation questions

4. We have provided responses to questions which relate to our members' work and which could potentially impact on the insurance sector.

Q2: Do you have any views on our proposed requirements for deductions from CET1 capital, in particular cryptoassets held by firms which they have issued or are in control of the supply of?

5. Point 3.6 proposes the deduction from a firm's own funds of cryptoassets issued by the firm itself or by a connected party. In our view this is potentially problematic. For example, if the firm takes on a venture capital or other private investment, it will be connected to the other entity. Excluding that entity's assets from own funds does not seem appropriate. An alternative approach might be to deduct (at most) only the initial investment value and not the market value (unless the market value is below the investment amount).

Q3: Do you have any comments on our proposed overall approach on the Own Funds Requirement (OFR), and the detailed provisions of the specific components: (i) PMR, (ii) FOR, (iii) K-SII, and (iv) K-QCS?

6. We would make the following comments on the charges:

- OFR – we agree with the general approach, provided this scales up as the business's assets increase.
- K-SII (Solvency) - looks reasonable. We suggest that the FCA should develop a plan on how to recapture assets if they are lost through actions such as freezing tokens onchain,
- K-QCS – the uniform 0.04% charge seems to ignore the unequal regulatory regimes where stablecoin issuers are domiciled. We suggest this should be scaled up and down based on factors such as jurisdiction, operating history, team, etc.

Q5: Do you agree with our proposal that the value of qualifying cryptoassets appointed by or to a third party custodian for the purposes of safeguarding must be included in the measurement of QCS? If not, how else would you suggest that the risk of potential harm from the use of third parties is mitigated?

7. We agree with this approach, with the safeguard that there should be a cross-check against other market sources for crypto asset pricing. Such a cross-check could include:
   - A market check using publicly available sources such as Coinmarketcap, Coingecko, etc. for the same period
   - A decentralized price oracle (e.g. Chainlink, Pyth, etc.)
   - Liquidity-pool based pricing (e.g. Uniswap)

8. Using these would reduce the reliance on one singular party to accurately value a book of business and create necessary redundancies.

Q10: Do you have any comments on the proposal for monitoring and control of concentration risk? Please provide suggestions for any specific clarifications that you feel may be helpful.

9. We believe that an adequate level of liquidity should be required in all trading venues where a material amount of the stablecoin is being transacted.

10. In addition, the concentration of major vendors should be monitored (e.g. this could be a concern if there was one fiat on-ramp as opposed to a variety of options).

11. If you would like to discuss any of the points raised please contact Matthew Levine, Policy Manager (matthew.levine@actuaries.org.uk / 07525 808150) in the first instance.